

Message Text

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SUBJ: GOI RAISES GASOLINE TAX

1. BEGIN SUMMARY. IRISH FINANCE MINISTER RICHIE RYAN ANNOUNCED IN A DEC 4 EVENING SESSION OF THE PARLIAMENT (DAIL) THE GOVERNMENT'S NEW ENERGY-SAVING MEASURES TO TAKE EFFECT IMMEDIATELY: AN INCREASE IN TAXATION OF GASOLINE WHICH WILL INCREASE THE PRICE 30 PERCENT FROM 50 PENCE TO 65 PENCE PER GALLON, AREINTRODUCTION OF A 50 MPH NATION-WIDE SPEED LIMIT AND THE POSSIBLE INSTITUTION OF PERMANENT DAYLIGHT SAVING TIME. ALTHOUGH THE NEW GASOLINE TAXES WILL RAISE APPROXIMATELY 28 MILLION POUNDS PER YEAR AND PUT PRICES IN LINE WITH RECENTLY ANNOUNCED UK INCREASES, RYAN EMPHASIZED THAT THE PURPOSE WAS TO DAMPEN DEMAND AND HELP THE BALANCE OF PAYMENTS RATHER THAN REVENUE RAISING. END SUMMARY.

2. A DAY OF WILD SPECULATION FOLLOWED THE DEC 3 GOI CABINET MEETING AND THE ANNOUNCEMENT THAT AN "IMPORTANT UNCLASSIFIED

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STATEMENT" WOULD BE MADE IN THE EVENING OF DECEMBER 4.

AT THE EVENT, FINANCE MINISTER RYAN ANNOUNCED A GASOLINE-
SAVING PROGRAM CENTERED ON TAXER RAISING THE PRICE OF TOP-GRADE
GASOLINE FROM 50 PENCE TO 65 PENCE PER GALLON. (ROUGHLY
CALCULATED, THIS WOULD AMOUNT TO 1.20 DOLLARS PER U.S.
GALLON.) MINISTER RYAN WENT TO SOME PAINS TO STRESS THAT
THE 30 PERCENT INCREASE WAS NOT INTENDED AS REVENUE-RAISING
BUT WAS MEANT TO BE A "FISCAL MEASURE" TO FORCE DECREASED
CONSUMPTION IN THE FACE OF RISING PETROLEUM COSTS THAT HAVE
ADDED 130 MILLION POUNDS TO THE NATION'S PETROLEUM BILL OVER THE
LAST 12 MONTHS. PRACTICALLY SPEAKING, THE GOI ANNOUNCEMENT
WAS DICTATED BY BRITAIN'S INCREASED TAX ON GASOLINE: THERE
HAS BEEN CONSIDERABLE TRAFFICKING IN CROSS-BORDER GAS PURCHASES
BETWEEN NORTHERN IRELAND AND THE REPUBLIC THUS ADDING TO GOI'S
IMPORT REQUIREMENTS. THE IMPACT ON THE COST OF LIVING INDEX
IS ESTIMATED TO BE LESS THAN ONE PER CENT BECAUSE GASOLINE
USED BY PUBLIC TRANSPORT IS EXEMPT AS ARE DIESEL AND OTHER
FUEL OILS USED IN INDUSTRY.

3. THE RETURN TO A NATION-WIDE 50 MPH SPEED LIMIT AND A
POSSIBLE "PERMANENT" DAYLIGHT SAVING TIME ARE MORE COSMETIC
THAN REAL.

4. IN THE GOVERNMENT'S STATEMENT, RYAN SPOKE APPROVING-
LY OF GOI ACCESSION TO THE IEA AND THE "LIMITED PROTECTION"
IT GIVES TO A "VULNERABLE" IRELAND, PARTICULARLY IN THE
AGENCY'S EMERGENCY SHARING PROGRAM. HE ALSO REFERRED TO
DISCUSSIONS ON AN EC COMMON ENERGY POLICY AND THE SEPTEMBER
COUNCIL RESOLUTION CALLING FOR A REDUCTION IN THE RATE OF GROWTH
OF CONSUMPTION. (IRELAND'S RATE OF GROWTH IN GASOLINE CON-
SUMPTION HAS AVERAGED 7 1/2 PERCENT PER YEAR).

5. COMMENT: ADVANCE SPECULATION CONTEMPLATED MUCH MORE
RADICAL MEASURES THAT WOULD HAVE AFFECTED THE ECONOMY MORE
WIDELY. WE BELIEVE THE GOVERNMENT'S MOTIVATION IS IN PART TO
STOP THE "LEAKAGE" TO THE NORTH CAUSED BY THE DISPARITY IN
PRICES. SECONDLY, IT IS PROBABLY TRUE THAT PASSENGER-CAR
GASOLINE DEMAND WILL BE DAMPENED BY UPWARDS OF TEN PERCENT,
BUT GASOLINE ACCOUNTS FOR ONLY 15 PERCENT OF IRELAND'S TOTAL
PETROLEUM IMPORTS. THIRDLY, AND PERHAPS MOST IMPORTANT,
THIS STEP BRINGS IRISH GASOLINE PRICES IN LINE WITH THOSE OF
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HER EC PARTNERS AND DEMONSTRATES THT IRELAND CAN "PULL HER
WEIGHT" TO CONSERVE ENERGY. MOORE

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